

Fiscal Note

Fiscal Services Division



SF 501 – State Authorization Reciprocity Agreements (SARA) (LSB2669XS)
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Fiscal Note Version – New

Description

Senate File 501 exempts postsecondary institutions of other states from the Iowa postsecondary registration and tuition refund requirements if the postsecondary institution participates with Iowa in an interstate registration reciprocity agreement. The Bill permits Iowa students to receive a full tuition refund due to such a reciprocity agreement by applying to the Attorney General for a refund of any tuition charges not refunded by the out-of-state school they attend.

Senate File 501 also creates a Tuition Refund Fund in the Office of the Treasurer of State under the control of the Attorney General and appropriates any moneys in the Fund to the Attorney General for purposes of student tuition refunds. Moneys in the Fund are not subject to the reversion requirements of Iowa Code section **8.33**, and the Bill requires the interest or earnings on the Fund to remain in the Fund.

Background

Currently, out-of-state postsecondary institutions wishing to offer distance education to Iowa residents must pay a fee to register with the Iowa College Student Aid Commission and agree to follow Iowa's consumer protection laws that apply to postsecondary students. Iowa's own postsecondary institutions, including the Regents universities, community colleges, and private nonprofit universities, must do the same in other states where they wish to offer distance education. The registration costs can be quite significant, depending on how many states the institution chooses to serve.

A group of national and regional governmental and educational organizations established the National Council for State Authorization Reciprocity Agreements (NC-SARA) in 2013 to develop and implement an interstate reciprocity agreement to allow postsecondary institutions to register in one state and have that registration recognized by other states, reducing the paperwork and cost associated with offering distance education. The resulting agreement (SARA) is administered by the four regional higher education compacts, including the Midwest Higher Education Compact (MHEC) of which Iowa is a member. Approximately 20 states currently participate in SARA.

Legislation enacted in the 2014 Legislative Session permitted Iowa to participate in SARA but was deemed inadequate by the national organization because it preserved the rights of Iowa students to rely on Iowa's consumer protection laws, including the right to a full tuition refund. Under SARA, a student seeking a refund must rely first on the laws of the state in which the school is operating. If that state does not guarantee a full refund, the student must rely on the provisions of their enrollment agreement with the school. Under **HF 663**, Iowans will be able to seek a refund from the Attorney General in the event that the first two options do not result in a full refund.

Assumptions

The Office of the Attorney General has indicated their intention to transfer \$100,000 from the Mortgage Servicing Settlement Fund to the Tuition Refund Fund created in the Bill for purposes of providing tuition refunds to Iowa students as required. Based on past experience, the Office believes that this amount will be adequate for at least one year. The Office has indicated their intent to use funds from other settlements for this purpose, when the initial \$100,000 is expended.

Fiscal Impact

The number of refunds that will be sought under the provisions of [SF 501](#) is unknown, and the fiscal impact cannot be estimated.

Sources

Office of the Attorney General
Iowa College Student Aid Commission

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
